OVERVIEW OF PRICING POLICY

Briefer: Hazel Ann Gleaton

WR-ALC/PKPF

926-7157

OVERVIEW OF PRICING POLICY

WR-ALC/PK

- Fair and Reasonable Prices
- Cost or Pricing Data
- Prohibitions on Obtaining Cost/Pricing Data
- Proposal Analysis
- Documentation

PRICING POLICY
FAR 15.402

- CONTRACTING OFFICERS shall
  - Purchase supplies/services from responsible sources at **fair and reasonable prices**
  - Price each contract separately and independently
  - Not include in contract price any amount for a specified contingency to the extent that the contract provides for a price adjustment based upon occurrence of the contingency

PRICING POLICY

- **GOAL**: Fair and reasonable prices
  - Contracting Officer shall not obtain more information than is necessary
  - Order of preference in determining type of information required
    - If price is based on adequate price competition, no further information from offeror, except as noted at 15.403-3(b)

PRICING POLICY

- Information other than cost or pricing data
  - Price Information
    - Available within the Government, i.e. established catalog or market prices;
    - Obtained from sources other than offeror;
    - Obtained from offeror
  - Cost Information which does not meet the definition of cost or pricing data at FAR 2.1

PRICING POLICY

- Cost or Pricing Data defined at FAR 2.1
  - Means all facts that prudent buyers/sellers would reasonably expect to affect price negotiations significantly; factual and verifiable; require certification iaw 15.406.2
  - Last resort for determining price fair and reasonable
    - Increases proposal preparation costs
    - Generally, extends acquisition lead-time
    - Utilizes a great deal of both contractor and Government resources

Prohibition on Obtaining C/P Data—FAR 15.403-1

- Not obtained for acquisitions at or below the simplified acquisition threshold
- Not obtained when the following exceptions apply:
  - CO determines prices agreed upon are based on adequate price competition
  - CO determines prices agreed upon are based on prices set by law or regulation

Prohibition on C/P Data

- Commercial item is being acquired
- Waiver has been granted
- Modification of contract/subcontract for commercial items

Cost or Pricing Data Required FAR 15.403-4

WR-ALC/PK

- Will be required only if CO concludes that none of exceptions at 15.403-1(b) applies
- Threshold for obtaining c/p data is $550,000
- Offerors will submit to CO
  - Cost/pricing data
  - Certificate of current c/p data, certifying that to the best of its knowledge and belief, the c/p data provided are current, accurate, and complete

PROPOSAL ANALYSIS FAR 15.404-1

- To determine price is fair and reasonable
- Techniques
  - Price Analysis--Used when certified c/p data not required
  - Cost Analysis—Used when certified c/p data are required

PRICE ANALYSIS

- **Definition**: Process of examining and evaluating a proposed price w/o evaluating its separate cost elements and profit
- **Examples**:
  - Comparison of proposed prices received in response to the solicitation
  - Comparison of previously proposed prices and previous Government and commercial contract prices with current proposed prices for same/ similar items (if validity of the comparison and reasonableness of previous price can be established

PRICE ANALYSIS

- Parametric Estimating Methods--the application of rough yardsticks (dollars per pound or horse-power, or other units) to highlight significant inconsistencies that warrant additional inquiry
- Comparison with competitive published price lists, published market prices of commodities, similar indexes, and discount or rebate arrangements

PRICE ANALYSIS

- Comparison with independent Government cost estimates
- Comparison with prices obtained through market research for same/similar items
- Analysis of pricing information provided by offeror

COST ANALYSIS

- **Definition**: Review/evaluation of separate cost elements and profit in a proposal (including certified c/p data or information other than certified c/p data)
- **Cost Elements**: Material, Labor, Overhead, G&A
- **Profit**: Remuneration for contract performance over and above allowable costs

INFORMATION TO SUPPORT PROPOSAL ANALYSIS

- **FIELD PRICING ASSISTANCE**
  - Requested by CO
  - Tailored to reflect minimum essential information
  - Includes technical, audit, and special reports to support cost elements
  - Information on related pricing practices & history
  - Information to help CO determine commerciality and price reasonableness
  - Information relative to business, technical, production, other capabilities/practices of offeror

PRICE NEGOTIATION FAR 15.405

- Process by which the CO and offeror agree on a price that is fair and reasonable to both parties
- Based on CO's analysis of offeror's proposal, including field support
- Should be thoroughly documented in a Price Negotiation Memorandum (PNM)

DOCUMENTATION

WR-ALC/PK

- A Guide to Writing a Good PNM or PCM, https://www.afmc-mil.wpafb.af.mil/HQ-AFMC/PK/pkp/pkpc/pnmpcm.htm
- “Specialized PNM Format”- page 54 of Guide
- PNM should document thought processes, including data evaluated/not evaluated, and provide trackability of pricing information which was analyzed/evaluated to determine fair and reasonable prices